

# Legislative Audit Division

---

State of Montana



---

Report to the Legislature

---

October 2006

## Financial-Compliance Audit

For the Two Fiscal Years Ended June 30, 2006

# Montana School for the Deaf and the Blind

The report contains an unqualified opinion on the financial schedules and no recommendations related to the school.

Direct comments/inquiries to:  
Legislative Audit Division  
Room 160, State Capitol  
PO Box 201705  
Helena MT 59620-1705

06-22A

Help eliminate fraud, waste, and abuse in state government. Call the Fraud Hotline at 1-800-222-4446 statewide or 444-4446 in Helena.

## FINANCIAL-COMPLIANCE AUDITS

Financial-compliance audits are conducted by the Legislative Audit Division to determine if an agency's financial operations are properly conducted, the financial reports are presented fairly, and the agency has complied with applicable laws and regulations. In performing the audit work, the audit staff uses standards set forth by the American Institute of Certified Public Accountants and the United States Government Accountability Office. Financial-compliance audit staff members hold degrees with an emphasis in accounting. Most staff members hold Certified Public Accountant (CPA) certificates.

Government Auditing Standards, the Single Audit Act Amendments of 1996 and OMB Circular A-133 require the auditor to issue certain financial, internal control, and compliance reports. This individual agency audit report is not intended to comply with these reporting requirements and is therefore not intended for distribution to federal grantor agencies. The Legislative Audit Division issues a statewide biennial Single Audit Report which complies with the above reporting requirements. The Single Audit Report for the two fiscal years ended June 30, 2007, will be issued by March 31, 2008. The Single Audit Report for the two fiscal years ended June 30, 2005, was issued on March 6, 2006. Copies of the Single Audit Report can be obtained by contacting:

Single Audit Coordinator  
Office of Budget and Program Planning  
State Capitol  
Helena MT 59620  
Phone (406) 444-3616

Legislative Audit Division  
Room 160, State Capitol  
PO Box 201705  
Helena MT 59620-1705

### MEMBERS OF THE LEGISLATIVE AUDIT COMMITTEE

Senator Joe Balyeat, Vice Chair  
Senator John Brueggeman  
Senator Jim Elliott  
Senator Dan Harrington  
Senator Lynda Moss  
Senator Corey Stapleton

Representative Dee Brown  
Representative Hal Jacobson  
Representative Christine Kaufmann  
Representative Scott Mendenhall  
Representative John Musgrove, Chair  
Representative Janna Taylor

# LEGISLATIVE AUDIT DIVISION

Scott A. Seacat, Legislative Auditor  
Tori Hunthausen,  
Chief Deputy Legislative Auditor



Deputy Legislative Auditors:  
James Gillett  
Jim Pellegrini

October 2006

The Legislative Audit Committee  
of the Montana State Legislature:

This is our financial-compliance audit report on the Montana School for the Deaf and the Blind (MSDB) for the two fiscal years ended June 30, 2006.

The objectives of our audit included determining whether MSDB's financial schedules presented fairly its results of operations and changes in fund balances and property held in trust for the two fiscal years ended June 30, 2006 and 2005, assessing MSDB compliance with applicable laws and regulations, and determining the implementation status of prior audit recommendations.

The Montana School for the Deaf and the Blind is a state supported special purpose school and an integral part of the Montana public education system. In accordance with its statutory mandates, MSDB serves two primary functions. First, by the use of specialized instruction and training, MSDB provides an education for deaf and blind children that is commensurate with the education provided to non-disabled children in local school districts. This education enables children being served by MSDB to become independent and self-sustaining citizens.

Second, MSDB serves as a consultative resource for parents of deaf and blind children not yet enrolled in an educational program and for school districts where deaf and blind children are receiving educational services. Upon request, MSDB outreach staff provide consultation and technical assistance to the families, teachers, and administrators of more than 300 sensory impaired infants, toddlers and school age children across the state.

At the end of fiscal year 2005-06, MSDB was providing services to the following constituents:

- Educational placements for 20 visually impaired and 54 deaf or hard-of-hearing students.
- Interpreter tutor services for 21 deaf students who take some or all of their classes in a mainstream setting.
- Residential living and health services for 32 students who attend the school.
- Educational evaluations for 27 students referred by their local school districts and audiological assessments for 257 children referred through the Outreach Program.

- Consultation services to local preschool/Headstart programs, local school districts and parents through the school's Outreach Program to 277 students in 98 school districts and communities across the state.
- Home-based early educational intervention services through the school's Family Advisor Program for 42 deaf or blind infants and toddlers across the state.
- Specialized educational materials to 183 blind students at the school and 72 school districts throughout Montana and 1,150 captioned videos to 275 deaf adults and teachers of deaf students at the school and across the northwest region.
- Family Learning Weekends for 133 parents, siblings and educators of blind children and 183 parents, siblings and educators of deaf and hard-of-hearing children as well as summer skills camps for 15 deaf and hard-of-hearing and 7 blind students.

Beginning on page A-1, you will find the Independent Auditor's Report followed by the financial schedules and accompanying notes. We issued an unqualified opinion, which means the reader can rely on the presented information. MSDB's response to this report is included on page B-1.

This report does not contain any recommendations to MSDB. The prior financial-compliance audit issued for the two fiscal years ended June 30, 2004, contained three recommendations. MSDB implemented all three recommendations in the prior audit.

We thank the Superintendent and MSDB staff for their cooperation and assistance throughout the audit.

Respectfully submitted,

*/s/ Scott A. Seacat*

Scott A. Seacat  
Legislative Auditor

## Appointed and Administrative Officials

---

### Board of Public Education

Brian Schweitzer, Governor\*  
Linda McCulloch, Superintendent of Public Instruction\*  
Sheila M. Stearns, Commissioner of Higher Education\*

		Term <u>Expires</u>
Dr. Kirk Miller, Chairperson	Havre	2009
Diane Fladmo, Vice Chairperson	Glendive	2005
Storrs Bishop	Ennis	2010
Cal Gilbert	Great Falls	2011
John Fuller	Whitefish	2008
Patty Myers	Great Falls	2007
Angela McLean	Butte	2013
Jenny Tiskus, Student Representative	Polson	2007

\*ex officio members

Steve Meloy, Executive Secretary

### Montana School for the Deaf and the Blind

Steve Gettel, Superintendent

Diane Moog, Principal

Bill Sykes, Business Manager

For additional information regarding the school contact:

Steve Gettel, Superintendent  
Montana School for the Deaf and the Blind  
3911 Central Avenue  
Great Falls MT 59405-1697  
Office: (406) 771-6000

e-mail: [sgettel@msdb.mt.gov](mailto:sgettel@msdb.mt.gov)

Members of the audit staff involved in this audit were  
David Brammer, John Fine, Jim Manning, and Melissa Soldano.

# LEGISLATIVE AUDIT DIVISION

Scott A. Seacat, Legislative Auditor  
Tori Hunthausen,  
Chief Deputy Legislative Auditor



Deputy Legislative Auditors:  
James Gillett  
Jim Pellegrini

## INDEPENDENT AUDITOR'S REPORT

The Legislative Audit Committee  
of the Montana State Legislature:

We have audited the accompanying Schedules of Changes in Fund Balances & Property Held in Trust, Schedules of Total Revenues & Transfers-In, and Schedules of Total Expenditures & Transfers-Out of the Montana School for the Deaf and the Blind for each of the fiscal years ended June 30, 2006, and 2005. The information contained in these financial schedules is the responsibility of the school's management. Our responsibility is to express an opinion on these financial schedules based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial schedules. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in note 1, the financial schedules are presented on a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The schedules are not intended to be a complete presentation and disclosure of the school's assets and liabilities.

In our opinion, the financial schedules referred to above present fairly, in all material respects, the results of operations and changes in fund balances/property held in trust of the Montana School for the Deaf and the Blind for each of the fiscal years ended June 30, 2006, and 2005, in conformity with the basis of accounting described in note 1.

Respectfully submitted,

/s/ James Gillett  
James Gillett, CPA  
Deputy Legislative Auditor

August 2, 2006



SCHOOL FOR THE DEAF & BLIND  
SCHEDULE OF CHANGES IN FUND BALANCES & PROPERTY HELD IN TRUST  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	General Fund	State Special Revenue Fund	Federal Special Revenue Fund	Agency Fund
FUND BALANCE: July 1, 2005	\$ <u>(309,821)</u>	\$ <u>132,771</u>	\$ <u>91</u>	\$ <u>11,780</u>
PROPERTY HELD IN TRUST: July 1, 2005				\$ <u>11,780</u>
<b>ADDITIONS</b>				
Budgeted Revenues & Transfers-In	13,199	364,226	161,088	
NonBudgeted Revenues & Transfers-In	522	65,081		
Prior Year Revenues & Transfers-In Adjustments	363	97		
Direct Entries to Fund Balance	4,439,125			
Additions to Property Held in Trust				66,362
Total Additions	<u>4,453,209</u>	<u>429,404</u>	<u>161,088</u>	<u>66,362</u>
<b>REDUCTIONS</b>				
Budgeted Expenditures & Transfers-Out	4,675,381	297,018	161,060	
NonBudgeted Expenditures & Transfers-Out	(7,396)	65,081		
Prior Year Expenditures & Transfers-Out Adjustments	3,883			
Reductions in Property Held in Trust				57,247
Total Reductions	<u>4,671,868</u>	<u>362,099</u>	<u>161,060</u>	<u>57,247</u>
FUND BALANCE: June 30, 2006	\$ <u><u>(528,480)</u></u>	\$ <u><u>200,076</u></u>	\$ <u><u>119</u></u>	\$ <u><u>20,895</u></u>
PROPERTY HELD IN TRUST: June 30, 2006				\$ <u><u>20,895</u></u>

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment. Additional information is provided in the notes to the financial schedules beginning on page A-9.

SCHOOL FOR THE DEAF & BLIND  
SCHEDULE OF CHANGES IN FUND BALANCES & PROPERTY HELD IN TRUST  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	<u>General Fund</u>	<u>State Special Revenue Fund</u>	<u>Federal Special Revenue Fund</u>	<u>Agency Fund</u>
FUND BALANCE: July 1, 2004	\$ <u>(271,648)</u>	\$ <u>120,918</u>	\$ <u>(60,158)</u>	\$ <u>10,922</u>
PROPERTY HELD IN TRUST: July 1, 2004				\$ <u>10,922</u>
 ADDITIONS				
Budgeted Revenues & Transfers-In	16,740	324,622	174,721	
NonBudgeted Revenues & Transfers-In	318	24,881		
Prior Year Revenues & Transfers-In Adjustments	(1,413)	2,914		
Direct Entries to Fund Balance	3,456,337	56,994	236,541	
Additions to Property Held in Trust				142,987
Total Additions	<u>3,471,982</u>	<u>409,411</u>	<u>411,262</u>	<u>142,987</u>
 REDUCTIONS				
Budgeted Expenditures & Transfers-Out	3,510,028	365,946	351,013	
NonBudgeted Expenditures & Transfers-Out	40	31,010		
Prior Year Expenditures & Transfers-Out Adjustments	87	602		
Reductions in Property Held in Trust				142,129
Total Reductions	<u>3,510,155</u>	<u>397,558</u>	<u>351,013</u>	<u>142,129</u>
FUND BALANCE: June 30, 2005	\$ <u><u>(309,821)</u></u>	\$ <u><u>132,771</u></u>	\$ <u><u>91</u></u>	\$ <u><u>11,780</u></u>
PROPERTY HELD IN TRUST: June 30, 2005				\$ <u><u>11,780</u></u>

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment. Additional information is provided in the notes to the financial schedules beginning on page A-9.

SCHOOL FOR THE DEAF & BLIND  
SCHEDULE OF TOTAL REVENUES & TRANSFERS-IN  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>General Fund</u>	<u>State Special Revenue Fund</u>	<u>Federal Special Revenue Fund</u>	<u>Total</u>
<b>TOTAL REVENUES &amp; TRANSFERS-IN BY CLASS</b>				
Licenses and Permits		\$ 950		\$ 950
Taxes	\$ 522			522
Charges for Services	6,871	71,175	\$ 21,706	99,752
Rentals, Leases and Royalties		1,496		1,496
Miscellaneous	6,691			6,691
Grants, Contracts, Donations and Abandonments		65,081		65,081
Other Financing Sources		290,702		290,702
Federal			132,506	132,506
Federal Indirect Cost Recoveries			6,876	6,876
Total Revenues & Transfers-In	<u>14,084</u>	<u>429,404</u>	<u>161,088</u>	<u>604,576</u>
Less: Nonbudgeted Revenues & Transfers-In	522	65,081		65,603
Prior Year Revenues & Transfers-In Adjustments	363	97		460
Actual Budgeted Revenues & Transfers-In	<u>13,199</u>	<u>364,226</u>	<u>161,088</u>	<u>538,513</u>
Estimated Revenues & Transfers-In	<u>16,449</u>	<u>335,276</u>	<u>162,704</u>	<u>514,429</u>
Budgeted Revenues & Transfers-In Over (Under) Estimated	<u>\$ (3,250)</u>	<u>\$ 28,950</u>	<u>\$ (1,616)</u>	<u>\$ 24,084</u>
<b>BUDGETED REVENUES &amp; TRANSFERS-IN OVER (UNDER) ESTIMATED BY CLASS</b>				
Licenses and Permits		\$ 213		\$ 213
Taxes	\$ (305)			(305)
Charges for Services	(6,511)	9,175	\$ (532)	2,132
Rentals, Leases and Royalties		(1,504)		(1,504)
Miscellaneous	3,566			3,566
Other Financing Sources		21,066		21,066
Federal			1,240	1,240
Federal Indirect Cost Recoveries			(2,324)	(2,324)
Budgeted Revenues & Transfers-In Over (Under) Estimated	<u>\$ (3,250)</u>	<u>\$ 28,950</u>	<u>\$ (1,616)</u>	<u>\$ 24,084</u>

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment. Additional information is provided in the notes to the financial schedules beginning on page A-9.

SCHOOL FOR THE DEAF & BLIND  
SCHEDULE OF TOTAL REVENUES & TRANSFERS-IN  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	<u>General Fund</u>	<u>State Special Revenue Fund</u>	<u>Federal Special Revenue Fund</u>	<u>Total</u>
<b>TOTAL REVENUES &amp; TRANSFERS-IN BY CLASS</b>				
Licenses and Permits		\$ 670		\$ 670
Taxes	\$ 318			318
Charges for Services	8,128	3,325	\$ 36,613	48,066
Rentals, Leases and Royalties		1,346		1,346
Miscellaneous	7,199			7,199
Grants, Contracts, Donations and Abandonments		24,881		24,881
Other Financing Sources		322,195		322,195
Federal			129,980	129,980
Federal Indirect Cost Recoveries			8,128	8,128
Total Revenues & Transfers-In	<u>15,645</u>	<u>352,417</u>	<u>174,721</u>	<u>542,783</u>
Less: Nonbudgeted Revenues & Transfers-In	318	24,881		25,199
Prior Year Revenues & Transfers-In Adjustments	(1,413)	2,914		1,501
Actual Budgeted Revenues & Transfers-In	<u>16,740</u>	<u>324,622</u>	<u>174,721</u>	<u>516,083</u>
Estimated Revenues & Transfers-In	15,153	286,570	167,562	469,285
Budgeted Revenues & Transfers-In Over (Under) Estimated	<u>\$ 1,587</u>	<u>\$ 38,052</u>	<u>\$ 7,159</u>	<u>\$ 46,798</u>
<b>BUDGETED REVENUES &amp; TRANSFERS-IN OVER (UNDER) ESTIMATED BY CLASS</b>				
Charges for Services	\$ 701	2,388	\$ 16,613	19,702
Rentals, Leases and Royalties		(3,154)		(3,154)
Miscellaneous	886			886
Other Financing Sources		38,818		38,818
Federal			(10,155)	(10,155)
Federal Indirect Cost Recoveries			701	701
Budgeted Revenues & Transfers-In Over (Under) Estimated	<u>\$ 1,587</u>	<u>\$ 38,052</u>	<u>\$ 7,159</u>	<u>\$ 46,798</u>

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment. Additional information is provided in the notes to the financial schedules beginning on page A-9.

SCHOOL FOR THE DEAF & BLIND  
SCHEDULE OF TOTAL EXPENDITURES & TRANSFERS-OUT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

PROGRAM (ORG) EXPENDITURES & TRANSFERS-OUT	Administration Program	Education	General Services	Student Services	Total
Personal Services					
Salaries	\$ 226,885	\$ 2,009,244	\$ 99,099	\$ 656,948	\$ 2,992,176
Employee Benefits	66,498	789,700	45,323	377,790	1,279,311
Total	<u>293,383</u>	<u>2,798,944</u>	<u>144,422</u>	<u>1,034,738</u>	<u>4,271,487</u>
Operating Expenses					
Other Services	51,474	24,592	56,263	6,645	138,974
Supplies & Materials	6,139	133,013	28,691	57,021	224,864
Communications	24,795	25,300	456	870	51,421
Travel	1,703	31,634		45,023	78,360
Rent		44,629		18	44,647
Utilities			179,092		179,092
Repair & Maintenance		(29)	102,039		102,010
Other Expenses	7,495	86,514	416	265	94,690
Total	<u>91,606</u>	<u>345,653</u>	<u>366,957</u>	<u>109,842</u>	<u>914,058</u>
Equipment & Intangible Assets					
Equipment			9,482		9,482
Total			<u>9,482</u>		<u>9,482</u>
Total Expenditures & Transfers-Out	<u>\$ 384,989</u>	<u>\$ 3,144,597</u>	<u>\$ 520,861</u>	<u>\$ 1,144,580</u>	<u>\$ 5,195,027</u>
EXPENDITURES & TRANSFERS-OUT BY FUND					
General Fund	\$ 384,550	\$ 2,658,546	\$ 511,379	\$ 1,117,393	\$ 4,671,868
State Special Revenue Fund	439	352,178	9,482		362,099
Federal Special Revenue Fund		133,873		27,187	161,060
Total Expenditures & Transfers-Out	<u>384,989</u>	<u>3,144,597</u>	<u>520,861</u>	<u>1,144,580</u>	<u>5,195,027</u>
Less: Nonbudgeted Expenditures & Transfers-Out		65,081	(7,396)		57,685
Prior Year Expenditures & Transfers-Out Adjustments		1,937	1,947	(1)	3,883
Actual Budgeted Expenditures & Transfers-Out	<u>384,989</u>	<u>3,077,579</u>	<u>526,310</u>	<u>1,144,581</u>	<u>5,133,459</u>
Budget Authority	400,169	3,126,266	545,536	1,161,545	5,233,516
Unspent Budget Authority	<u>\$ 15,180</u>	<u>\$ 48,687</u>	<u>\$ 19,226</u>	<u>\$ 16,964</u>	<u>\$ 100,057</u>
UNSPENT BUDGET AUTHORITY BY FUND					
General Fund	\$ 15,180	\$ 953	\$ 19,226	\$ 15,040	\$ 50,399
State Special Revenue Fund		47,734			47,734
Federal Special Revenue Fund				1,924	1,924
Unspent Budget Authority	<u>\$ 15,180</u>	<u>\$ 48,687</u>	<u>\$ 19,226</u>	<u>\$ 16,964</u>	<u>\$ 100,057</u>

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment. Additional information is provided in the notes to the financial schedules beginning on page A-9.

SCHOOL FOR THE DEAF & BLIND  
SCHEDULE OF TOTAL EXPENDITURES & TRANSFERS-OUT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	<u>Administration Program</u>	<u>Education</u>	<u>General Services</u>	<u>Student Services</u>	<u>Total</u>
<b>PROGRAM (ORG) EXPENDITURES &amp; TRANSFERS-OUT</b>					
Personal Services					
Salaries	\$ 202,479	\$ 1,592,740	\$ 95,208	\$ 603,075	\$ 2,493,502
Hourly Wages				2	2
Employee Benefits	62,825	604,931	59,873	366,284	1,093,913
Total	<u>265,304</u>	<u>2,197,671</u>	<u>155,081</u>	<u>969,361</u>	<u>3,587,417</u>
Operating Expenses					
Other Services	29,750	4,658	51,079	7,316	92,803
Supplies & Materials	2,803	77,104	24,295	60,508	164,710
Communications	16,179	19,068	417	611	36,275
Travel	1,276	19,278		40,000	60,554
Rent			2,107	8,545	10,652
Utilities			148,368		148,368
Repair & Maintenance	165	14,654	68,529	319	83,667
Other Expenses	26,624	42,109	215	150	69,098
Total	<u>76,797</u>	<u>176,871</u>	<u>295,010</u>	<u>117,449</u>	<u>666,127</u>
Capital Outlay					
Buildings		5,142		40	5,182
Total		<u>5,142</u>		<u>40</u>	<u>5,182</u>
Total Expenditures & Transfers-Out	<u>\$ 342,101</u>	<u>\$ 2,379,684</u>	<u>\$ 450,091</u>	<u>\$ 1,086,850</u>	<u>\$ 4,258,726</u>
<b>EXPENDITURES &amp; TRANSFERS-OUT BY FUND</b>					
General Fund	\$ 336,184	\$ 1,763,769	\$ 410,397	\$ 999,805	\$ 3,510,155
State Special Revenue Fund	987	376,447	20,124		397,558
Federal Special Revenue Fund	4,930	239,468	19,570	87,045	351,013
Total Expenditures & Transfers-Out	<u>342,101</u>	<u>2,379,684</u>	<u>450,091</u>	<u>1,086,850</u>	<u>4,258,726</u>
Less: Nonbudgeted Expenditures & Transfers-Out	987	30,023		40	31,050
Prior Year Expenditures & Transfers-Out Adjustments	133	603		(47)	689
Actual Budgeted Expenditures & Transfers-Out	<u>340,981</u>	<u>2,349,058</u>	<u>450,091</u>	<u>1,086,857</u>	<u>4,226,987</u>
Budget Authority	<u>343,347</u>	<u>2,538,859</u>	<u>458,961</u>	<u>1,089,565</u>	<u>4,430,732</u>
Unspent Budget Authority	<u>\$ 2,366</u>	<u>\$ 189,801</u>	<u>\$ 8,870</u>	<u>\$ 2,708</u>	<u>\$ 203,745</u>
<b>UNSPENT BUDGET AUTHORITY BY FUND</b>					
General Fund	\$ 1,379	\$ 28,797	\$ 3,846	\$ 1	\$ 34,023
State Special Revenue Fund	987	161,004	5,024		167,015
Federal Special Revenue Fund				2,707	2,707
Unspent Budget Authority	<u>\$ 2,366</u>	<u>\$ 189,801</u>	<u>\$ 8,870</u>	<u>\$ 2,708</u>	<u>\$ 203,745</u>

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment. Additional information is provided in the notes to the financial schedules beginning on page A-9.

# Montana School for the Deaf and the Blind

## Notes to the Financial Schedules

### For the Two Fiscal Years Ended June 30, 2006

---

---

#### 1. Summary of Significant Accounting Policies

---

##### **Basis of Accounting**

The Montana School for the Deaf and the Blind (school) uses the modified accrual basis of accounting, as defined by state accounting policy, for its Governmental (General, State Special Revenue, Federal Special Revenue) funds category. In applying the modified accrual basis, the school records:

Revenues when it receives cash or when receipts are realizable, measurable, earned, and available to pay current period liabilities.

Expenditures for valid obligations when the school incurs the related liability and it is measurable, with the exception of the cost of employees' annual and sick leave. State accounting policy requires the school to record the cost of employees' annual and sick leave when used or paid.

The school uses the accrual basis of accounting for its Fiduciary (Agency) fund category. Under state accounting policy, the school records additions and reductions to property held in trust for others.

Expenditures and expenses may include: entire budgeted service contracts even though the school receives the services in a subsequent fiscal year; goods ordered with a purchase order before fiscal year-end, but not received as of fiscal year-end; and equipment ordered with a purchase order before fiscal year-end.

---

##### **Basis of Presentation**

The financial schedule format is in accordance with the policy of the Legislative Audit Committee. The financial schedules are prepared from the transactions posted to the state's accounting system without adjustment.

## Notes to the Financial Schedules

---

The school uses the following funds:

### **Governmental Fund Category**

**General Fund** – to account for all financial resources except those required to be accounted for in another fund.

**State Special Revenue Fund** – to account for proceeds of specific revenue sources that are legally restricted to expenditures for specific state program purposes. School State Special Revenue Funds include School Trust Interest/Income Fund and Donations to the School for The Deaf and Blind. Donations are transferred from the school to the school foundation.

**Federal Special Revenue Fund** – to account for activities funded from federal revenue sources. School Federal Special Revenue Funds include U.S. Department of Education and U.S. Department of Agriculture grants.

### **Fiduciary Fund Category**

**Agency Fund** – to account for resources held by the state in a custodial capacity. The school agency funds include student account money.

---

## **2. General Fund Balance**

The negative fund balance in the General Fund does not indicate overspent appropriation authority. The school has authority to pay obligations from the statewide General Fund within its appropriation limits. The school expends cash or other assets from the statewide fund when it pays General Fund obligations. The school's outstanding liabilities exceed the assets it has placed in the fund, resulting in negative ending General Fund balances for each of the fiscal years ended June 30, 2005, and June 30, 2006.

---

## **3. Direct Entries to Fund Balance**

Direct entries to fund balances in the General, Special Revenue, and Federal Special Revenue Funds include entries generated by SABHRS to reflect the flow of resources within individual funds shared by separate agencies.

## Notes to the Financial Schedules

---

Direct entries to fund balance in the General Fund for fiscal year 2005 also includes a correction of an error of \$4,502 from a previous period that occurred at least two fiscal years prior to fiscal year 2005.

### **4. Foundation**

A foundation was created by the Montana Board of Public Education and incorporated under section 20-8-111, MCA. The responsibility of the foundation is to receive, hold, manage, use, and dispose of real and personal property given to the school, the board, or state of Montana on behalf of the school, by purchase, gift, devise, bequest, or as otherwise acquired. The proceeds, interest, and income thereof are to be used for the benefit of the school. The foundation activity is not reflected on the accompanying financial schedules. The foundation's audited financial statements report expenditures of \$210,020 and \$170,521 in support of the school during fiscal years 2004-05 and 2005-06, respectively.

### **5. Agency Fund – Bank Code Adjustment**

In fiscal year 2004-05, the school made a bank code adjustment for activity from fiscal year 2003-04. The bank code adjustment comprises \$96,978 of the Additions and Reductions to Property Held in Trust as reported on the Schedule of Changes in Fund Balances & Property Held in Trust for the fiscal year ended June 30, 2005. The actual cash activity related to the Agency Fund was cash additions of \$46,019 and cash reductions of \$45,151.



MONTANA  
SCHOOL *for the*  
Deaf & Blind

3911 CENTRAL AVENUE  
Great Falls, Montana 59405  
406.771.6000 V/TTY  
406.771.6164 FAX  
[www.msdb.mt.gov](http://www.msdb.mt.gov)

*Giving kids the building blocks to independence.*

September 12, 2006

Mr. Scott Seacat, Legislative Auditor  
Room 160  
State Capitol Building  
PO Box 201705  
Helena, Montana 59620-1705

RECEIVED

SEP 14 2006

LEGISLATIVE AUDIT DIV.

Mr. Seacat:

I want to thank Mr. Jim Manning for his letter dated September 7<sup>th</sup> and his compliments to the staff here at the Montana School for the Deaf and the Blind. I wish to thank you and your staff; especially Jim Gillett, Jim Manning, and Alexa O'Dell for providing their services to complete our biennial audit. It was a pleasure working with them.

The administration at MSDB work diligently to meet all regulations and statutes regarding this agencies fiduciary responsibility to the State. The fact that the audit report prepared by the Legislative Audit Division contains no recommendations is a testament to that diligence. In light of the report, we have no questions and are not requesting follow up meeting.

Again, thanks to you and your staff for conducting the audit.

Sincerely,

Steve Gettel  
Superintendent